



STATE OF WASHINGTON

**OFFICE OF FINANCIAL MANAGEMENT**

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April 12, 2006

**TO:** Agency Directors and Budget Officers

**FROM:** Victor A. Moore, Director *VAM*

**SUBJECT: 2007-09 OPERATING AND CAPITAL BUDGET INSTRUCTIONS**

Thanks in part to your considerable efforts we have secured a 2006 Supplemental Budget in which we can all take pride. It saves \$947 million for new demands we know are coming in the next budget biennium. Moreover, the supplement budget invests carefully in education, healthcare, the environment, energy, transportation, and economic development while helping to stabilize the pension system.

We cannot rest on our laurels. As we develop the 2007-09 budget, we must maintain the two approaches reflected in the budget just signed – fiscal restraint and smart choices.

We don't face a fiscal crisis like those of the last several biennial budgets, but preliminary estimates of the state general fund do identify a potential gap between resources and expenditure demands in both 2007-09 and 2009-11.

Our challenge will be to craft a budget that will deliver the most results for citizens within a fiscally responsible, affordable spending plan for the future. The thing to keep in mind throughout your efforts is that the Governor is determined to get us off the roller coaster of boom-bust budgeting.

In addition, the Governor's vision, as reflected in her successes to date, is to build on four main endeavors – a strong education system, a good infrastructure, an economy that can compete around the globe, and accountable government. At the same time, she will not shortchange all other critical programs.

Our Priorities of Government (POG) approach will help you and us here at OFM identify the targeted investments that will do the most to improve results in these areas. Many of you are participating in this process directly by serving on result teams or preparing proposals in response to special budget instructions issued last month. Every agency contributes to the process in an important way by submitting the best possible budget proposal. How can your budget proposal help?

- **It should reflect the values of POG.** Please look at everything your agency does today and how those activities contribute to the desired statewide results. What can your agency do to improve the contribution to those results? Do your budget and legislative proposals remove barriers to progress? Are your proposed investments targeting priority strategies? We value proven solutions and evidenced-based ideas to improve results.
- **It should contain ways to reduce the costs of achieving the level of results we obtain today.** Student enrollments, caseloads, and costs grow over time and always put pressure on the budget. We need your best efforts to lower the costs of delivering results. This is essential for maintaining a sustainable spending plan. It also gives us more options to redeploy savings to new strategic investments.
- **It should make a strong case for achieving results.** Your proposals for change should be clear and compelling. Where possible, you should have performance measures for each activity that tell the story about what it accomplishes and how it contributes to statewide results.

You have a tough job, as do we. Together, we can make the 2007-09 biennial budget as strong and focused as the one we just completed.

Thank you for your commitment and your help.

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## Resources:

If you have questions about these instructions, please contact your OFM budget analyst (assignment list at <http://www.ofm.wa.gov/budget/contacts/default.asp>) or Lynne McGuire at (360) 902-0581 or [lynne.mcguire@ofm.wa.gov](mailto:lynne.mcguire@ofm.wa.gov).

2007-09 Budget Instructions Part 1 (strategic planning and performance measures) and Part 2 (agency submittal requirements) <http://www.ofm.wa.gov/budget/instructions/operating.asp>. Capital Budget Instructions can be found at <http://www.ofm.wa.gov/budget/instructions/capital.asp>.

Information on the Priorities of Government (POG) process can be found on OFM's website at <http://www.ofm.wa.gov/budget/pog/default.htm>.